

Message Text

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TO SECSTATE WASHDC 4411

INFO AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY LONDON

AMCONSUL BOMBAY

AMEMBASY MOSCOW

AMCONSUL CALCUTTA

AMCONSUL HONG KONG

AMCOCKUL MADRAS

CINCPAC

AMEMBASSY RANGOON

USLO PEKING

S E C R E T SECTION 1 OF 2 NEW DELHI 13548

LIMDIS

CINCPAC FOR POLAD

E. O. 11652: GDS

TAGS: PFOR, IN, BG

SUBJECT: INDO-BANGLADESH RELATIONS: AN ASSESSMENT ON
THE EVE OF THE SECRETARY'S VISIT

REF: NEW DELHI A-358, SEPTEMBER 22, 1973

SUMMARY: AS FAR AS INDIA IS CONCERNED, THE SITUATION
IN NEIGHBORING BANGLADESH AS GONE FROM BAD TO WORSE IN THE
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LAST YEAR. AT THE SAME TIME, INDIA'S ABILITY TO HELP, SHORT

OF ACTUAL MILITARY INTERVENTION, HAS DECLINED. BILATERAL POLITICAL RELATIONS CONTINUE GENERALLY GOOD, ALTHOUGH THERE ARE SIGNS OF INCIPIENT TROUBLE IN THE FLOW OF HUNDREDS OF MOSTLY HINDU REFUGEES FROM BANGLADESH. TRADE PROBLEMS AND THE OLD ISSUE OF THE GANGES WATERS CONTINUE TO PRODUCE FRIC-TIONS, INDIA IS MORE RELAXED ABOUT US RELATIONS WITH BANGLADESH THAN A YEAR AGO. IT SEES CHINESE AND PAKISTANI RELATIONS WITH BANLADESH AS PERHAPS RESULTING IN ECONOMIC BENEFITS FOR BANGLADESH BUT AS ALSO CARRYING PROBLEMS FOR INDIA. END SUMMARY.

1. INDIAN VIEW OF SITUATION IN BANGLADESH: INDIA FEARS THAT THE DIFFICULT ECONOMIC SITUATION IN BANGLADESH COULD LEAD TO A PROGRESSIVE BREAKDOWN OF THE POLITICAL AND ADMINISTRATIVE SYSTEMS AS WELL. INDIAN OFFICIALS CANNOT IDENTIFY AN AGENT FOR CHANGE--THEY REJECT THE POSSIBILITY OF A SERIOUS THREAT TO MUJIB DEVELOPING WITHIN THE AWAMI LEAGUE OR AMONG THE OPPOSITION. THEY ALSO DISQUALIFY THE BANGLADESH MILITARY BECAUSE IT IS TOO DIVIDED. EXTREMIST GROUPS ARE TOO SMALL AND ISOLATED, ACCORDING TO THESE OFFICIALS. THEY ALSO POINT TO THE PROVEN BENGALESE ABILITY TO ABSORB GREAT ECONOMIC HARDSHIP. THUS, THEY ARE LEFT WITH AN INCHOATE CONCERN THAT SOMEHOW THINGS MAY BEGIN TO FALL APART IN BANGLADESH.

2. IMPLICATIONS FOR INDIA--THE HINDUS: INDIA IS DIRECTLY CONCERNED WITH TWO POSSIBLE BY-PRODUCTS OF THE SITUATION: FIRST, THAT ANARCHY IN BANGLADESH MIGHT ULTIMATELY THROW UP AN ANTI-INDIAN REGIME OR INVITE INVOLVEMENT OF OTHERS AND, SECOND, THAT THE 10 MILLION HINDUS IN BANGLADESH MIGHT BE AFFECTED DISPROPORTIONATELY. TWO INDIAN OFFICIALS MENTIONED THIS LATTER POSSIBILITY TO US SEPARATELY SOME TIME AGO. ONE OF THEM SPECULATED THAT, AS ECONOMIC CONDITIONS DETERIO-RATED IN BANGLADESH, THE HINDUS WOULD BE SQUEEZED HARD AND POSSIBLY EVEN PHYSICALLY THREATENED. THEY MIGHT THEN FLEE TO INDIA AS THEY DID IN 1971, WHICH WOULD SEVERELY STRAIN BOTH INDO-BANGLADESH RELATIONS AND HINDU-MUSLIM RELATIONS IN INDIA. THE FOREIGN MINISTRY HAS CONFIRMED TO US PRESS REPORTS THAT PERHAPS ONE OR TWO THOUSAND PEOPLE, MANY OF WHOM ARE HINDUS, HAVE CROSSED FROM BANGLADESH TO INDIA IN RECENT WEEKS. SOME OF THEM WERE PROBABLY PRE-1971 REFUGEES FROM THEN EAST PAKISTAN

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WHO RETURNED TO BANGLADESH AFTER THE "LIBERATION" AND ARE NOW TRYING TO COME BACK. INDIA HAS OBJECTED TO THE MANNER IN WHICH BANGLADESH HAS GRANTED THEM "EXIT PERMITS" INSTEAD OF INSISTING ON REGULAR TRAVEL DOCUMENTS. OTHERS MAY SIMPLY BE FLEEING THE RAVAGES OF THE FLOODS, ACCORDING TO THE FOREIGN MINISTRY, WHICH CLAIMS NOT TO BE WORRIED ABOUT THE SITUATION.

3. POSSIBLE INDIAN REACTION: AS WE HAVE NOTED, INDIAN

OFFICIALS AS A WHOLE ARE NOT YET OVERLY CONCERNED ABOUT EITHER THE SITUATION WITHIN BANGLADESH OR THE DRIBBLE OF HINDUS INTO INDIA. SHOULD THINGS GET WORSE, HOWEVER, INDIA MIGHT ACT. OFFICIALS WILLING TO SPECULATE SAY THAT THEY BELIEVE INDIA WOULD INTERVENE AT THE REQUEST OF SHEIKH MUJIB TO SAVE HIM FROM A REAL THREAT. WE BELIEVE WHAT THE GOI WOULD ACTUALLY DO WOULD DEPEND ON THE SITUATION AT THE TIME AND WHETHER IT CONSIDERED THE ALTERNATIVE TO MUJIB A SUFFICIENTLY SERIOUS THREAT TO ITS INTERESTS TO JUSTIFY ITS ACTION. INDIAN REACTION WOULD BE LESS PREDICTABLE IN CASE OF GENERAL ANARCHY WITH MUJIB ABSENT--INDIA MIGHT STILL ACT, OR IT MIGHT CORDON OFF THE COUNTRY AND LET THE BENGALISE FIGHT IT OUT. MASS FLIGHT OF HINDUS WOULD, IF ANYTHING, PRESENT INDIA WITH AN EVEN MORE DIFFICULT DECISION. SHORT OF OCCUPATION, IT COULD ONLY PROTEST AND APPLY PRESSURE IN HOPES OF SLOWING THE FLOW. AS LONG AS THE FLOW STAYED IN THE THOUSANDS, IT WOULD PROBABLY QUIETLY ACCEPT THESE NEW HINDU REFUGEES FOR NON-TOO-PLEASANT PERMANENT RESIDENCE IN ITS EXISTING REFUGEE CAMPS, JUST AS IT ACCEPTED THOSE WHO CAME FROM EAST PAKISTAN BEFORE 1971 AND STILL INHABIT SOME OF THE CAMPS.

4. INDIAN ECONOMIC ASSISTANCE: INDIA'S OWN ECONOMIC PROBLEMS PREVENT IT FROM RUSHING FOOD AND OTHER COMMODITIES TO BANGLADESH AS IT DID IMMEDIATELY AFTER THE 1971 WAR. INDIAN FLOOD RELIEF ASSISTANCE WAS UNDER \$1 MILLION (NEW DELHI 11152). OVER THE PAST TWO AND ONE-HALF YEARS IT HAS GRADUALLY HARDENED THE TERMS OF ITS ASSISTANCE, SHIFTING FROM GRANTS TO SEMI-COMMERCIAL CREDITS, AND HAS TRIED TO GET OUT OF THE BUSINESS OF SUPPLYING BASIC COMMODITIES EXCEPT THROUGH NORMAL TRADE CHANNELS. EVEN ON THE TRADE SIDE, IT IS TIGHTENING UP ON LOANS TO BANGLADESH THROUGH THE SWING CREDIT IN THE RUPEE TRADE ACCOUNT (SEE BELOW). THUS, WHILE INDIA

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SEES THE ECONOMIC SITUATION AS THE CAUSE OF MANY IF NOT MOST OF BANGLADESH'S PROBLEMS, IT FEELS IT CAN'T HELP MUCH.

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5. TRADE: OVER THE PAST YEAR THIS HAS EMERGED MORE CLEARLY AS A POINT OF FRICTION BETWEEN INDIA AND BANGLADESH. TRADE UNDER THE RUPEE TRADE AGREEMENT SIGNED A YEAR AGO HAS ONLY TOTALED ABOUT A QUARTER OF THE TARGET A \$80 MILLION, AND BANGLADESH HAS AGAIN RUN UP A SIZABLE DEFICIT. WHEN THE DEFICIT HIT THE AGREED SWING CREDIT LIMIT OF \$10 MILLION IN JULY, INDIA STOPPED EXPORTING "NONESSENTIALS" SUCH AS TOBACCO TO BANGLADESH AND PERMITTED SHIPMENT ONLY OF ITEMS SUCH AS COAL AND CEMENT. NOW THE FIRST-YEAR AGREEMENT HAS BEEN EXTENDED TO GIVE BANGLADESH TIME TO WORK OFF THE DEFICIT, WHICH IT MUST DO LARGELY BY EXPORT OF INTERNATIONALLY MARKETABLE JUTE TO INDIA. FOR THE LONGER TERM, INDIA IS TALKING ABOUT GIVING UP THE RUPEE TRADE SYSTEM WITH BANGLADESH AND SECRET

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EXPANDING THE EXISTING FOREIGN EXCHANGE TRADE BETWEEN THE TWO COUNTRIES. THE PROBLEM WILL STILL BE JUTE, HOWEVER, SINCE THIS IS THE MAIN ITEM BANGLADESH HAS WHICH INDIA WANTS. MUCH OF THE JUTE IS NOW SMUGGLED TO INDIA INSTEAD OF BEING SOLD TO THE BANGLADESH GOVERNMENT FOR SALE TO INDIA THROUGH OFFICIAL CHANNELS. BANGLADESH WANTS INDIA TO CRACK DOWN ON THE SMUGGLING. INDIA IS RESISTING. IT ARGUES THAT THE

BORDER IS LONG AND DIFFICULT TO SEAL; THAT BANGLADESH CITIZENS ACTIVELY PARTICIPATE IN THE SMUGGLING, PERHAPS BECAUSE IT SERVES AS A CHANNEL FOR CAPITAL FLIGHT FROM BANGLADESH; AND THAT IF BANGLADESH COULD SUPPLY MORE TO INDIA OFFICIALLY, IT WOULD GO TO INDIAN MILLS AND THEREBY REDUCE THE DEMAND FOR SMUGGLED JUTE. INDIAN OFFICIALS BELIEVE THE SITUATION MAY IMPROVE SOMEWHAT AS A RESULT OF THE SEPARATE ANTI-SMUGGLING EFFORTS UNDERWAY IN BOTH COUNTRIES, EVEN THOUGH THE EFFORT IN INDIA IS NOT DIRECTED AGAINST JUTE SMUGGLERS. BUT SOME SMUGGLING WILL CONTINUE, AND AGREE FOREIGN EXCHANGE TRADE WOULD SIMPLY MEAN INDIA WOULD SELL ITS GOODS TO BANGLADESH FOR HARD CURRENCY WHILE BANGLADESH WOULD SEE ITS JUTE SMUGGLED TO INDIA FOR RUPEES.

6. THE GANGES WATERS: SIGNING OF THE INDO-BANGLADESH BORDER AGREEMENT IN MAY LEFT AS THE ONLY MAJOR POLITICAL ISSUE BETWEEN THE TWO THE INDIAN PROJECT TO DIVERT SOME OF THE GANGES WATERS TO FLUSH SILTATION FROM CALCUTTA PORT. IT IS PROVING ALMOST AS DIFFICULT TO RESOLVE THIS NOW AS BEFORE 1971, HOWEVER. ACCORDING TO INDIAN SOURCES, THE TWO SIDES HAVE AGREED THAT THE LEAN SEASON FLOW (MARCH TO MAY) IS 55,000 CUSECS, THAT BANGLADESH NEEDS 55,000 CUSECS AND THAT INDIA NEEDS 40,000 CUSECS FOR CALCUTTA. MRS. GANDHI AND SHEIKH MUJIB ARE TO DECIDE HOW TO DIVIDE THE DEFICIT BEFORE THE YEAR-END COMPLETION OF THE PROJECT. PRESUMABLY THIS MEANS A VISIT TO DACCA BY MRS. GANDHI, BUT THERE HAVE BEEN RUMORS THAT THIS VISIT MAY BE POSTPONED BECAUSE OF THE FLOODS. FURTHER DELAY IN THE PROJECT OR FAILURE TO OBTAIN ENOUGH WATER TO "SAVE" CALCUTTA PORT WILL HAVE REPERCUSSIONS IN THE VOLATILE AND IMPORTANT INDIAN STATE OF WEST BENGAL. WHILE WE EXPECT AGREEMENT ON A TEMPORARY DIVISION OF THE DEFICIT, THE TWO SIDES ARE STILL FAR APART ON THE LONGER-TERM QUESTION OF HOW TO "AUGMENT" THE FLOW OF THE GANGES SO BOTH CAN GET THEIR FULL REQUIREMENTS. BANGLADESH WANTS
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THIS DONE WITHIN THE GANGES BASIN (I.E., IN INDIA). INDIA FAVORS A MAMOTH DIVERSION CANAL FROM THE BHRAMAPUTRA TO THE GANGES, 60 TO 70 PERCENT OF WHICH WOULD BE IN BANGLADESH.

7. BANGLADESH'S RELATIONS WITH OTHERS: IMPROVEMENT OF INDO-US RELATIONS HAS APPARENTLY ENDED INDIAN SUSPICION THAT US AID TO BANGLADESH IS SOMEHOW ANTI-INDIAN. (IN FACT, ALTHOUGH IT IS NOT ARTICULATED HERE, INDIA MAY SUBCONSCIOUSLY ENVY BANGLADESH'S ABILITY TO ATTRACT USG ASSISTANCE.) CONTRARY TO EXPECTATIONS EARLIER IN THE YEAR, INDIA-PAKISTAN RELATIONS ARE DEVELOPING MORE RAPIDLY THAN BANGLADESH-PAKISTAN RELATIONS. INDIA THUS HAS LESS CAUSE TO WORRY ABOUT BANGLADESH AND PAKISTAN QUICKLY ESTABLISHING A CLOSE AND

IMPLICITLY ANTI-INDIAN RELATIONSHIP. INDIAN OFFICIALS PRIVATELY WELCOMED PAKISTANI FLOOD RELIEF FOR BANGLADESH, ALTHOUGH THIS ASSISTANCE RECEIVED NO PUBLICITY HERE. INDIAN OFFICIALS EXPECT SINO-BANGLADESH TIES WILL COME SOONER THAN PAKISTAN-BANGLADESH RELATIONS. THEY FACE THE PROSPECT OF A CHINESE PRESENCE IN BANGLADESH WITH UNHAPPY RESIGNATION, PARTICULARLY IN VIEW OF THE CONTINUED SINO-INDIAN IMPASSE. THE CHINESE RELIEF ASSISTANCE TO BANGLADESH RECEIVED NEITHER PRIVATE APPRECIATION NOR PUBLIC MENTION.

8. US INTERESTS: WHILE DIFFERENCES EXIST AND MAY EVEN GROWN BETWEEN INDIA AND BANGLADESH, THE TWO COUNTRIES ARE DEALING WITH THEM EFFECTIVELY IN THE BILATERAL CONTEXT, WHICH IS WHAT WE WANT. THERE IS NO INDICATION THAT THE DIFFERENCES WILL PRODUCE AREA INSTABILITY ON A LARGE ENOUGH SCALE TO INVITE FOREIGN INTERVENTION. THE SITUATION WITHIN BANGLADESH IS ANOTHER MATTER. SHOULD INDIA INTERVENE THERE, ITS ACTION WOULD AROUSE GRAVE CONCERNS THROUGHOUT THE AREA. WE DOUBT ANY THIRD-COUNTRY PROTESTS WOULD OR COULD PREVENT INDIA FROM SUCH INTERVENTION, WHICH INDIA WOULD UNDERTAKE ONLY BECAUSE IT SAW ITS OWN NATIONAL SECURITY INTERESTS IMMEDIATELY INVOLVED. INDIA SEEMS TO CONSIDER THE LIKELIHOOD OF AN ANTI-MUJIB COUP AS SOMEWHAT REMOTE. THAT CONTINGENCY ASIDE AND POSSIBLY NOTWITHSTANDING, US AND INDIAN POLICIES IN BANGLADESH DO NOT CONFLICT. INDIA HAS COME TO APPRECIATE OUR STANCE OF NONINTERFERENCE IN SUBCONTINENTAL BILATERAL PROBLEMS AND THE LOW PROFILE WE MAINTAIN IN BANGLADESH.

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